

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County was established in 1848 and is a public corporation and a political subdivision of the State of Texas. The County has a population of 193,117 (2000 census) living within an area of 3,366 square miles. The County is sixth largest county of the 254 Texas counties. The County is in the southwest quadrant of the state, and the City of Laredo, Texas is the County seat.

The County operates using a commission form of government. The County Judge is elected at large for a four-year term. The Commissioners' Court (Court) is comprised of four members elected for four-year terms from four election districts. The Court provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County (the primary government) and its component units.

The financial statements of the County have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standard Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board ("FASB") issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund in accordance with the election made by the County under GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The County's significant accounting policies are described below:

For the reporting year, the County elected early implementation of GASB Statement #34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

**A. REPORTING ENTITY**

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financial accountable and, as such, should be included within the County's financial statements.

The County (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the County.

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Additional, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because of the closeness of their relationship with the primary government (the County), two component units are blended as though they are part of the primary government. The reporting funds of the Component Units listed below are included in the Special Revenue Funds section of the County's CAFR. These component units do not issue separately audited comprehensive annual financial reports. The only financial data available on these component units are included in the County's CAFR and may be obtained from the Webb County Auditor's Office.

Webb County Auditor  
1110 Washington, Suite 201  
Laredo, Texas 78040

**Blended Component Unit** The Webb County Community Action Agency (CAA) is an entity incorporated by the State of Texas. CAA's primary purpose is to take advantage of all Federal and State programs that are specially designed to aid and educate the underprivileged in the County. The Webb County Commissioners' Court is CAA's governing body. CAA has a twenty-one member advisory board consisting of (A) public officials, (B) indigent and, (C) the private sector. CAA's operations are reported in the special revenue funds.

**Blended Component Unit** The Laredo Webb County Child Welfare Board (Board) is an entity incorporated by the State of Texas. The Board's purpose is to provide foster care for neglected, delinquent and handicapped children of the County. The Webb County Commissioners' Court is the Board governing body. Thirteen resident members make up an advisory board appointed by the Commissioners' Court. The Board's operations are reported in the special revenue funds.

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or as major individual funds (within the fund financial statements).

Both the government-wide and fund financial statements within the basic financial statements categorize primary activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well long-term debt and obligations.

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The government-wide Statement of Activities reflects both the gross and net cost per functional categories (public safety, public works, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines, and forfeitures, licenses and permit fees, taxes and charges for services. The operating grants include operating-specific and discretionary (either operating or capital grants while the capital grants columns reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The County does not currently employ an indirect cost allocation system.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the business-type activity fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the sources and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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Internal service funds of a government (that traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (police, fire, public works, etc.).

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus of the revised model is on the County as whole and the fund statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

**1. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary, and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

**Accrual:**

All proprietary and internal service funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property taxes, sale taxes, bingo taxes, mixed drink taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when the County receives cash.

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**Modified Accrual:**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule is that debt service expenditure, compensated absences and claims and judgments, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should under most circumstances, be reported as advances by the provider and deferred revenues by the recipient.

**2. FINANCIAL STATEMENT PRESENTATION**

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures, or expenses as appropriate. The various funds are reported by generic classification within the financial statements. Governmental resources allocated to, and accounted for, in the individual funds are based on the specific activities in accordance with laws, regulations, or other restrictions.

The new reporting model (GASB Statement #34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

**GOVERNMENTAL FUNDS:**

The focus of Governmental funds measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the County:

**General Fund** is the general operating fund of the County. It is used to account for all financial resources except those require to be accounted for in another fund.

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**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Headstart Program Fund, which is one of the special revenue funds, is presented as a major fund. Headstart revenues are received from the U. S. Department of Health and Human Services to provide eligible participants education, nutrition, disability and medical services. Headstart revenues are also used to provide literacy services for eligible parents.

**Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on governmental bonds, loans, and capital leases.

**Capital Projects Funds** are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The major funds (Interest Income Capital Projects, Series 2001 Fund and Interest Income Capital Projects, Series 2002 Fund) are where the majority of the non-special revenue capital activity is accomplished. The two major funds are used to accumulate interest income for specific projects. Other non-major specific funds are created as deemed appropriate.

**PROPRIETARY FUND TYPES:**

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise, of the Water Utility Company and the County internal service funds are charges to customers for sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is the description of the Proprietary Funds of the County:

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to treat other County business similarly. The major fund (Water Utility Fund) represents the County's current business-type activity.

**Internal Service Funds** are used to account for the financing of services provided by a department to other departments, funds or component units of the County on a cost-reimbursement basis.

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**FIDUCIARY FUNDS:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

**Trust and Agency Funds** are used to account for the trust (either pension, investments [held for third parties] or private purpose) or agencies, which are custodial in nature.

**Non-Current Governmental Assets/Liabilities:**

GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets

**D. ASSETS, LIABILITIES AND FUND EQUITY**

**1. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT**

The County has defined Cash and Cash Equivalents to include change funds, demand deposits, certificates of deposit, and money market certificates. Additionally, each fund's equity in the State investment pools is considered to be cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**Pooled Cash** - The County maintains pooled cash accounts for funds not require to be segregated. Some funds incur negative cash balances that are equivalent to liabilities. As a result, bank overdrafts are reported as interfund payables in the balance sheet. The general fund is the offsetting interfund receivable for the negative cash balance.

**Bank Overdraft** - Individual funds with their own bank account incurring cash overdraft balances are the results of payroll interfund bank transfers or transfers from the state investment pool occurring after the year end or special revenues and capital projects' grant funds on a reimbursement basis.

**2. INVENTORIES**

Inventories are valued at cost, which approximates market value, using the first in, first out method, with some inventories on the average cost method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of reported assets.

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**3. CAPITAL ASSETS AND DEPRECIATION**

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, dam, and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County elected early implementation of the infrastructure reporting requirements of GASB Statement 34.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the estimated useful life of the assets as follow:

Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure - roads (paved, caliche, or dirt)	15 to 40 years
Infrastructure - bridges	25 to 35 years
Infrastructure - dam	40 years
Infrastructure - cattle guards and culverts	20 years
Infrastructure - water and wastewater lines and pump station	40 years

**4. INTERFUND TRANSACTIONS**

During the course of normal operations, the County has many transactions between funds. The accompanying Fund Level financial statements reflect as transfer the expenditures and transfers of resources to provide services, construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between the governmental and business-type activities.

**5. DUE FROM OTHER GOVERNMENTAL UNITS**

To recognize resources available for Special Revenue Funds and Capital Projects Funds, the County records amounts due from grantors upon receipt of the award and records the award as deferred revenue. For grants that require expenditures for eligible grant purposes in order to earn the award, revenues are recognized when expenditures are made. For other grants and financial assistance, the amounts due from other governmental units and deferred revenue are reduced upon receipt of payment and revenues are then recognized.



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**6. FUND EQUITY**

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriated for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

**7. CAPITAL GRANT**

Capital grants restricted for capital acquisitions or construction other than those associated with proprietary funds, are accounted for in the applicable Capital Projects Funds. Grant monies restricted for acquisition of Enterprise Fund capital assets are recorded as contributed equity in the applicable enterprise fund. Therefore, depreciation expense relating to fixed assets contributed or acquired with grant monies is deducted from the applicable contributed capital.

**8. OTHER ASSETS AND UNAMORTIZED BOND ISSUANCE COSTS**

Other assets held are recorded and accounted for at cost.

In the governmental funds, discounts and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as other financing sources.

In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method that approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other assets. Expenses relating to the sale of the combination tax and revenues bonds in the enterprise fund are amortized over the life of the issue.

As part of the reconciliation and presentation at the government-wide level these costs (in the governmental funds) are adjusted and reflected similarly to proprietary funds.

**Governmental Funds**

Unamortized Bond Issuance Costs	1,007,200
Prepaid Expenses	68,197
Deposits	<u>8,060</u>
Total	\$ <u><u>1,083,457</u></u>

**Proprietary Funds**

Unamortized Bond Issuance Costs	<u>147,190</u>
Total	\$ <u><u>147,190</u></u>

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**9. RECLASSIFICATION**

Certain September 30, 2002 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2003.

**10. ADJUSTMENTS TO NET ASSETS AND FUND BALANCE**

Prior period adjustments were made to the government activities financial statements to reflect corrections to capital assets and the related accumulated depreciation (\$ 7,619,142) and deferred cost for \$ 210,381 were reported as a restatement of beginning fund balance or fund net assets for 2002. The total effect was a reduction of (\$ 7,408,761) to beginning governmental activities net assets at October 1, 2002.

The Water Utility Fund enterprise fund was also adjusted for (\$ 54,042) for prior period adjustment as of October 1, 2002.

The Webb County Utility Fund was adjusted for (\$ 54,042) for capitalized interest for the Texas Water Development Board Water & Sewer DFUNDII Loan.

**II. STWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. EXCESS EXPENDITURES OVER APPROPRIATIONS**

An excess of expenditures over appropriations were incurred for the following governmental funds as of September 30, 2003:

<u>Special Revenues</u>	<u>Appropriations</u>	<u>Expenses / Expenditures</u>	<u>Excesses</u>
Election Services Contract Fund		100,581	100,581
CJD City of Laredo Financial Task Force Fund	235,046	235,589	544
Total	\$ <u>235,046</u>	\$ <u>336,170</u>	\$ <u>101,125</u>

The \$ 100,581 excesses for the election services contract fund resulted from election fund having no budget. The contractual revenues and fund balance absorbed the excess expenditures.

The \$ 544 excesses for Criminal Justice Division - Financial Task Force resulted from personnel cost exceeding its budget estimates. Grant governmental revenues for the program were utilized to finish the fiscal year.

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**B. DEFICIT FUND EQUITY**

The following funds had deficit fund balances at September 30, 2003:

Special Revenue Fund - Webb County CAA, Community Service Block Grant (CSBG), Meals on Wheels, Public Transportation for Non-Urbanized Areas and Child and Adult Care Food Program at September 30, 2003 had an unreserved undesignated fund balance deficits of \$ 224, \$ 3,167, \$ 5,968, and \$ 25,805 respectively, which exist due to grant expenditures exceeding grant revenues.

CSBG operations are through December 2003 and future grant revenues are expected to eliminate the deficit.

Meals on Wheels per-diem meal rates are pre-determined and the subsequent year expenditures were reduced to eliminate the deficit.

Public Transportation For Non-Urbanized Areas grant incur a deficit for September for the first month of the grant operations, grant revenues through August 2004 are expected to eliminate this deficit.

The Child and Adult Care Food Program current year excess expenditures over revenues will be transferred to the Headstart Program to eliminate the deficit.

Water Utility Company Enterprise Fund had an unreserved undesignated fund balance deficits \$ 19,522 exists due to expenses exceeding revenues. The increases to water and wastewater rates implemented in late 2003 will eliminate the deficit.

**III. DETAILED NOTES ON ALL FUNDS**

**A. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND BANK OVERDRAFT**

**CASH** - At September 30, 2003 the carrying amount of the County's deposits (including certificates of deposits of \$ 6,897,817) was \$ 11,795,270 and the bank balance was \$ 13,031,401. Of the bank amount, 100 percent was insured or collateralized with securities held by the County's agent in the County's name.

The State of Texas Public Funds Investment Act limits the types of authorized investments that the County may make. Legal collateral and investments are generally limited to direct obligations of the United States of America or guaranteed by governmental entities or its agencies and instrumentalities, certificate of deposit and repurchase agreements.

**CASH EQUIVALENTS** - Cash equivalents represent deposits and short-term highly liquid investments with a maturity of less than three months.

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The County invests primarily in TexPool which is a public fund pool administered by the State Comptroller of Public Accounts. There is a twenty-four hour fund availability of these funds; therefore, the Texpool's investment of \$ 50,876,623 is reported as cash equivalent. Texpool's net assets value is 1.00005% of the County's carrying value as of September 30, 2003. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

As required by Technical Bulletin 94-1 Disclosures about Derivatives for indirect transactions such as investment pool, Texpool held no derivative securities. Texpool's investment policy does not allow for derivative investments.

Logic - Local Government Investment Cooperative is also a public fund pool for the County permanent school fund. The Cooperative's governing body is a five-member Board of Directors comprised of employees, officers, or elected officials of participant Government Entities or individuals who do not have a business relationship with the Cooperative and are qualified to advise it. There is twenty-four hour fund availability of these funds; therefore, the Logic's investment of \$ 3,246,646 is also reported as cash equivalent. Logic's net assets value is 1.0000% of the County's carrying value as of September 30, 2003. The fair value of the position in Logic is the same as the value of Logic shares.

MBIA Texas Cooperative Liquid Assets Securities System (Texas CLASS) is also a public fund pool for the County permanent school fund. Texas CLASS establishes a trust so long as MBIA Municipal Investors Services Corporation is the Program Administrator organized and existing under the laws of State of Texas. The Board of Trustees shall conduct the Trustees activities, execute all documents and sue or be sue under either of the under the foregoing names. There is twenty-four hour fund availability of these funds; therefore, the Texas CLASS investment of \$ 2,048,558 is also reported as cash equivalent. MBIA's net asset value is 1.0000% of the County's carrying value as of September 30, 2003. The fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

Cash and Cash Equivalents are combined in the Financial Statements as follows:

<u>Financial Statements</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash on hand	9,227	
Deposits	754,570	11,040,700
Texpool State Investment Pool	39,670,117	11,206,506
Logic Investment Pool		3,246,646
Texas CLASS Investment Pool		2,048,558
Total Cash and Cash Equivalents	\$ <u>40,433,914</u>	\$ <u>27,542,410</u>

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Reconciliation of bank overdraft:

Per Fund Type	
General Bank Account - Pool Cash	218,534
Internal Service Funds - Blue Cross/Blue Shield Bank Account	6,865
Total Negative Cash Balances Per Fund Type	<u>225,399</u>

The General Fund had \$ 2,561,291 cash balance and recorded a interfund receivable "Due From Other Funds" for \$ 2,779,825 from special revenue funds for the negative pooled cash for financial reporting purposes. An internal service fund bank account had a negative cash balance as of September 30, 2003.

**B. RECEIVABLES**

Accounts, billings, and taxes receivables and related allowances are as follows:

Receivables	Governmental Activities	Business Activities
Tax Receivable - Delinquent	7,359,019	
Billings Receivable		177,940
Accounts Receivable	1,230,697	187
Fines Receivable	2,341,787	
Probation Fees Receivable	935,193	
Notes Receivable	83,029	
Accrued Interest Income	1,511	
Total Receivables	<u>\$ 11,951,236</u>	<u>\$ 178,127</u>

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. For the government-wide statements, property taxes expected to be collected are reported as deferred. On June 2, 2003, the County had an estimated \$ 1,387,546 storm damage and received a portion of the insurance proceeds. Clean-up cost was incurred during the fiscal year and a small segment of the repairs commenced February 2004. The insurance proceeds were deferred until claim and repairs quotes will be finalized.

All repairs are being taken to the Court for approval. The claim balance will be required to be resolved within a year of the claim. At the end of the current fiscal year, the various components of deferred revenues and unearned revenue reported in the governmental funds were as follows:

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	<u>Unavailable</u>	<u>Unearned</u>
Properties taxes receivables – General Fund	6,322,912	
Properties taxes receivables – Road and Bridge Fund	266,921	
Properties taxes receivables – Debt Service Fund	1,205,791	
Storm insurance proceeds	934,935	
Grant drawdown prior to meeting all eligibility requirements		346,084
Total	\$ <u>8,730,559</u>	\$ <u>346,084</u>

**C. CAPITAL ASSETS**

A summary of changes in capital assets during the fiscal year ended September 30, 2003 follows:

<u>Capital Assets</u>	<u>Beginning Balance 10/1/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Ending Balance 9/30/2003</u>
Land and Improvements	5,637,002				5,637,002
Infrastructure and Infrastructure in Progress	60,525,848	1,614,332		(274,337)	61,865,843
Buildings	64,163,667	724,809		2,972,141	67,860,617
Furniture, Fixtures, & Equipment	20,331,963	1,946,588		2,702,191	24,980,742
Construction In Progress	366,270	671,287		(299,074)	738,483
Total	\$ <u>151,024,750</u>	\$ <u>4,957,016</u>	\$ <u>          </u>	\$ <u>5,100,921</u>	\$ <u>161,082,687</u>

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A summary of changes in accumulated depreciation during the fiscal year ended September 30, 2003 follows:

**Governmental Activity:**

<u>Accumulated Depreciation</u>	<u>Beginning Balance 10/1/2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Adjustments</u>	<u>Ending Balance 9/30/2003</u>
Infrastructure and Infrastructure in Progress	38,074,779	536,104		69,634	38,680,517
Buildings	16,570,636	1,821,477		2,323,646	20,715,759
Furniture, Fixtures, & Equipment	5,955,435	1,960,647		10,326,784	18,242,866
Total \$	<u>60,600,850</u>	<u>\$ 4,318,228</u>	<u>\$</u>	<u>\$ 12,720,064</u>	<u>\$ 77,639,142</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

<u>Governmental Activities</u>	<u>Depreciation</u>
General Government	917,918
Public Safety	237,236
Justice System	506,465
Health & Human Service	152,078
Infrastructure and Environmental Services	1,529,265
Correction and Rehabilitation	394,608
Community and Economic Development	580,658
Total \$	<u>\$ 4,318,228</u>

As of September 30, 2003, the County infrastructure in progress is \$ 11,087,489 and construction in progress is \$ 738,485 for governmental activities.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

A summary of Proprietary Fund type capital assets at September 30, 2003 follows:

	Enterprise Fund	Internal Service Funds	
	Webb County Water Utility	Webb County Employees' Health Benefits	Webb County Worker's Compensation Reserve
Land and Improvements	216,295		
Infrastructure and Infrastructure in Progress	2,442,386		
Buildings	496,623		
Furniture, Fixtures, & Equipment	378,885	60,128	23,939
Less Accumulated Depreciation	<u>(410,497)</u>	<u>(30,301)</u>	<u>(23,939)</u>
Net Capital Assets	\$ <u>3,123,692</u>	\$ <u>29,827</u>	\$ <u></u>
Depreciation	72,105	11,105	865

A summary of changes in accumulated depreciation during the fiscal year ended September 30, 2003 follows:

**Business-type Activity:**

Accumulated Depreciation	Beginning Balance 10/1/2002	Additions	Deductions	Adjustments	Ending Balance 9/30/2003
Infrastructure and Infrastructure in Progress	10,128	10,128			20,256
Buildings	55,719	11,018			66,737
Furniture, Fixtures, & Equipment	272,544	50,959			323,503
Total	\$ <u>338,391</u>	\$ <u>72,105</u>	\$ <u></u>	\$ <u></u>	\$ <u>410,496</u>

As of September 30, 2003, the County infrastructure in progress is \$ 1,694,759 for business-type activities.



**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**D. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued liabilities in the governmental and business activities are as follows:

<u>Accounts Payable and Accrued Liabilities</u>	<u>Governmental Activities</u>	<u>Business Activities</u>
Bank overdraft	225,399	
Accounts payable	4,522,320	46,591
Accrued wages	1,430,179	14,840
Other liabilities	591,522	9,388
Restitution payable	46,242	
Retainage payable	346,811	16,789
Customer deposits		35,779
Total Accounts Payable and Accrued Liabilities	\$ <u>7,162,473</u>	\$ <u>123,387</u>

**E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County has numerous transactions between funds that involve receipts and disbursements by one fund for amounts of another fund. Those transactions that require one fund to reimburse another are classified in the balance sheet of the various funds as due to or due from other funds, as appropriate. Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are accounted for as revenues, expenditures, or expenses in the funds involved.

Individual interfund receivable and payable balances at September 30, 2003 were:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
Major Fund		
General Fund	3,113,122	318,485
Special Revenue Fund		
Headstart Program		125,350
Capital Projects Funds		
Interest Income, Series 2001		4,311,809
Interest Income, Series 2002		3,614,107
Juvenile Youth Village Fund		
Other Governmental Funds	11,497,893	4,915,566

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

Proprietary Funds:

Internal Service Fund	688,657	2,542,483
Business-type Activities:		
Enterprise Fund		
Webb County Water Utility	<u>1,856,078</u>	<u>2,076,976</u>
Total Governmentwide Interfund Receivable And Payable	<u>\$ 17,155,750</u>	<u>\$ 17,904,783</u>

Fiduciary

Trust Funds	674,514	585,426
Agency Funds	<u>665,247</u>	<u>5,302</u>
Total Fiduciary Interfund Receivable And Payable	<u>1,339,761</u>	<u>590,728</u>
Total Interfund Receivable And Payable	<u>\$ 18,495,511</u>	<u>\$ 18,495,511</u>

Transfers of financial resources among funds are recognized in all funds affected in the accounting period in which the interfund receivable and payable arises. Interfund operating transfers are legally authorized transfers from a fund to the fund through which the resources are to be expended. During the fiscal year ended September 30, 2003, interfund transfers were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Purpose</u>
Governmental Activities:			
General Fund	862,000	332,862	Create Library Capital Fund & Fund Water Utility Bond Reserve
Special Revenue Funds			
Webb Hotel Motel Occupancy Tax Fund		116,000	Fund Debt Service Payments
Records Management & Preservation Fund	134,837		Fund payroll
County Clerk Records Management & Preservation		134,837	Pay for payroll
Webb County Road & Bridge		202,000	Fund Vehicle Maintenance Dept.
CRT Residential Treatment Center		2,098	Fund Debt Service Payments
CJD City of Laredo Financial Task Force	8,870		Fund Grant Operations
CJAD Community Corrections	168,278		Fund Grant Operations
CJAD Day Reporting Center	29,206		Fund Grant Operations
CJAD Court Residential Treatment	22,713		Fund Grant Operations
CJAD Basic Supervision		216,961	Fund Grant Operations
CJAD Mental Impaired Caseload		3,236	Fund Grant Operations
District Attorney Federal Forfeiture Fund		8,870	Fund Overtime
Webb County Courthouse Security		160,000	Funded by General Fund
Capital Projects Funds			
Computer Master Plan		201	Fund Debt Services Payments
Capital Projects Interest Income Series 2001		27,577	Fund Capital Outlay
Library Fund	300,000		Establish Capital Outlay Fund
Upgrade or Replace AS400 Computer System		4,411	Fund Debt Services Payments

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

Capital Projects Series 2001	27,577		Purchase Capital Outlay
TWDB & U.S. EPA Larga Vista Wastewater Improvement		40,975	Fund Debt Services Payments
Debt Service Fund	163,685		Debt Service Payments
Proprietary Funds:			
Internal Service Fund			
Workers' Compensation Reserve Fund		650,000	Transfer to General Fund & Establish Employees Retiree Fund
Business-type activities:			
Enterprise Fund			
Water Utility Fund	32,862		Maintain Bond Reserve
Total Government-wide Transfers	1,750,028	1,900,028	
Fiduciary Trust Funds			
Available School Fund	277,186		Pay School Districts Based On Daily Per Student Attendance
Permanent School Fund		277,186	Pay School Districts From Interest Income and Royalties
Employees Retiree Insurance Fund	150,000		Establish Retire Fund
Total Fiduciary Transfers	<u>427,186</u>	<u>277,186</u>	
Total	\$ <u>2,177,214</u>	\$ <u>2,177,214</u>	

## **F. LEASES**

The County entered into contractual lease agreements for equipment, heavy equipment, vehicles, and portable buildings for the General Fund, Road and Bridge Fund and the TJPC – Juvenile Justice Alternative Education Program. The leases met the criteria of a capital lease, in which the benefits and risks of ownership are essentially transferred to the lessee, the County. Upon entering into these capital leases, the County records capital outlay and other financing sources for governmental funds equal to the capitalization amounts of the equipment in the fund that accounts for the acquiring governmental funds. The County records the asset and the related liability for the enterprise fund.

Lease payments are reported in the Debt Service Fund for governmental funds as taxes that have been levied for that specific purpose.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**G. LONG-TERM DEBT**

The following is a summary of long-term debt activity for the year ended September 30, 2003. The Certificates of Obligations, Limited Tax Refunding and Combination Tax and Revenue Certificate of Obligations, General Obligation Refunding, and Limited Tax Refunding bonds and LoanSTAR Loan pertain to governmental funds. The governmental debt is retired from Debt Service Fund revenues; primarily ad valorem taxes.

The TWDB Water and Sewer DFUNDII Loan and a portion of the Certificates of Obligations series 1999 and 2000 are retired by the Webb County Water Utility self-supporting fees.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

Long-term liabilities activity for the fiscal year ended September 30, 2003, was as follow:

	Original	Beginning			Amount	
	Amount	Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>						
<b>Certificates of Obligations &amp; Bonds</b>						
Certificates of Obligation, Series 1994	8,700,000	6,515,000		6,210,000	305,000	305,000
Certificates of Obligations, Series 1996	7,500,000	325,000		70,000	255,000	75,000
General Obligations Refunding Bonds, Series 1998	8,020,000	7,745,000		65,000	7,680,000	70,000
Certificates of Obligations, Series 1999	13,664,700	12,496,866		461,650	12,035,216	493,966
Certificates of Obligations, Series 2000	5,995,000	5,745,177		57,683	5,687,494	88,447
Certificates of Obligations, Series 2001	7,000,000	6,860,000		80,000	6,780,000	90,000
Limited Tax Improvement Bonds, Series 2002	11,300,000	11,300,000		390,000	10,910,000	400,000
Certificates of Obligations, Series 2002	4,300,000	4,300,000		385,000	3,915,000	145,000
Limited Tax Refunding Bonds, Series 2002			6,275,000		6,275,000	705,000
Limited Tax Refunding Bonds, Series 2003			6,335,000	55,000	6,280,000	0
	66,479,700	55,287,043	12,610,000	7,774,333	60,122,710	2,372,413
Bond premiums			430,011	349,707	80,304	
Bond discounts		88,771		40,139	(48,632)	
Less deferred amount on refundings			325,396	9,544	(315,852)	
<b>Total Certificates of Obligations &amp; Bonds</b>	66,479,700	55,375,814	13,365,407	8,173,723	59,838,530	2,372,413
<b>Loans</b>						
LoanSTAR Revolving Loan Program	1,124,039	970,558		127,038	843,520	133,054
<b>Total Loans</b>	1,124,039	970,558	0	127,038	843,520	133,054
<b>Lease Purchases</b>						
Lease Purchases	1,677,311	1,247,122	1,013,240	535,809	1,724,553	679,909
<b>Total Lease Purchases</b>	1,677,311	1,247,122	1,013,240	535,809	1,724,553	679,909
<b>Arbitrage Rebate</b>		44,414	2,372		46,786	46,786
<b>Governmental activities long-term liabilities</b>	69,281,050	57,637,908	14,381,019	8,836,570	62,453,389	3,232,163
<b>Business-type Activities:</b>						
Certificates of Obligations, Series 1999	1,135,300	1,038,135		38,350	999,785	41,035
Certificates of Obligations, Series 2000	1,800,000	1,724,823		17,318	1,707,506	26,554
<b>Total Certificates of Obligations</b>	2,935,300	2,762,958	0	55,668	2,707,291	67,588
<b>Loans</b>						
TWDB Water & Sewer DFUNDII	1,958,000	1,958,000		8,000	1,950,000	20,000
<b>Total Loans</b>	1,958,000	1,958,000	0	8,000	1,950,000	20,000
<b>Business-type Activity Long-term Liabilities</b>	4,893,300	4,720,958	0	63,668	4,657,291	87,588

# Webb County, Texas

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended September 30, 2003

#### Description of Individual Bond Issues and Loans Outstanding

Summarized below are the County's individual bond and loan that issues which are outstanding at September 30, 2003.

	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities</b>				
Limited Tax Refunding Bonds, Series 1993 refund the County's Juvenile Justice Center CO's, Series 1987; refund the County's Limited Tax Bonds, Series 1989; cost incurred in connection with issuance of the bonds	11,280,000	7,390,000	2.50%-5.40%	1,263,210
Combination Tax & Revenues, CO's Series 1994 restoring, renovating, equipping and otherwise improving the county courthouse; Construction of additions and improvements to the county golf course; construction, additions, and improvements relating to extension of county roads, including Wormster Road, McPherson Road, Del Mar Road, and the Inter Loop; purchase of machinery, materials, and equipment for authorized needs and purposes relating to the improvement of the county's detention center and juvenile detention center, including the extension of a sewer line and the erection of a security fence; construction, additions, and improve- ments to the county agricultural and ranching service center and road and bridge shops; purchase of equipment, materials and supplies for authorized needs and purposes relating to improvements to the county's computer and 911 systems; payment for Engineering, consulting, and other professional services in connection with the acquisition of the Rio Bravo Wastewater Treatment Plant costs incurred in connection with issuance of the bonds	8,700,000	6,515,000	5.125%- 6.625%	948,703
Certificates of Obligations, Series 1996 courthouse restoration; land acquisition at 1100 Washington; remodeling of building at 1100 Washington; air conditioning equipment for the jail; juvenile detention facility; regional sewer plant land acquisition and professional services; gas depot and vehicle wash racks at road and bridge department; 911 program engineering services; IBM AS-400 upgrade for county networking; costs incurred in connection with issuance of the bonds	7,500,000	325,000	7.30%	98,468
General Obligation Refunding Bonds, Series 1998 refund a portion of the County's currently outstanding Certificates of Obligation, Series 1996; costs incurred in connection with issuance of the bonds	8,020,000	7,745,000	3.50%-4.45%	2,034,278
Certificates of Obligations, Series 1999 a new County administration building; a new courtroom for the 406th District Court; a chiller to serve County buildings; automobiles, trucks, and road equipment; computer and software equipment for County departments including Y2K compliance; and elevated storage tank in Rio Bravo; water transmission lines in the El Cenizo area; water utility equipment, including pumps and related equipment and buildings and improvements for the the County Water Utilities Department; vehicle maintenance equipment for County garages; and the payment of contractual obligations for professional services in connection with the above projects	13,664,700	12,496,866	5.00%-6.00%	1,138,663

# Webb County, Texas

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended September 30, 2003

Certificates of Obligations, Series 2000	5,995,000	5,745,177	4.55%-6.00%	862,421
completion of the new county administration building; purchase 7,084 square feet of land adjoining the administration building; construction of improvements to the Webb County Jail; improvements to the computer network; purchase of 2000 Hawk fire apparatus; construction of building modifications; road rehabilitation; right-of-way acquisition; construction of a water treatment plant, raw water delivery system, and raw water storage tank; purchase of vehicles, computers, laboratory equipment, backhoes, water and wastewater pumps, generators, and other equipment for water treatment plant and general county operations; and the payment of contractual obligations for professional services in connection with the above projects				
Certificates of Obligations, Series 2001	7,000,000	6,860,000	4.55%-5.73%	860,331
acquisition and renovation of the land and buildings for the downtown Villa Antigua project; Replacement or upgrade of the County's main computer system and purchase of additional computer equipment; acquisition of land and construction of the County's morgue; expansion or rehabilitation of existing County buildings; construction, renovation, and improvements to various County parks; right-of-way acquisition in the colonias area; construction of an international bridge; purchase of computers, printers, copiers, furniture, and vehicles for various County departments; and the payment of contractual obligations for professional services in connection with such projects				
Limited Tax Improvement Bonds, Series 2002	11,300,000	11,300,000	3.00%-4.80%	850,900
design, planning, acquisition, construction, capital outlay, and equipping of juvenile detention facility; and the payment of contractual obligations for professional services in connection with such project				
Certificates of Obligations, Series 2002	4,300,000	4,300,000	3.00%-5.03%	305,919
design, planning, acquisition, construction, capital outlay, and equipping of community centers, other County buildings, improvements to the County parks, construction of bridges, acquisition of water supply and general equipment and other projects; and paying the costs of issuance thereof				
LoanStar Loan	1,197,256	970,558	4.04%	165,134
revenues are from the State Energy Conservation Office in the form of a loan. Funds are to be used for the energy conservation retrofit measures of the Law Enforcement Center and the Justice Center.				
<b>Total Governmental Activities</b>	<b>78,956,956</b>	<b>63,647,601</b>		
<b>Business-Type Activities</b>				
Certificates of Obligations, Series 1999	1,135,300	1,038,135	5.00%-6.00%	94,591
completion of the new county administration building; elevated water tank; capital outlay; and the payment of contractual obligations for professional services in connection with the above projects				
Certificates of Obligations, Series 2000	1,800,000	1,724,823	4.55%-6.00%	258,917
financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds				
TWDB DFUND II Loan	1,958,000	1,958,000	5.59%	207,915
financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds				
<b>Total Business-Type Activities</b>	<b>4,893,300</b>	<b>4,720,958</b>		

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**Governmental Activities:**

Fiscal Year	Certificates of Obligations, Total for all Series			LoanSTAR Loan			Contract Payable (Lease Obligation)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	2,699,333	3,005,628	5,704,961	127,257	37,877	165,134	438,196	55,764	493,960
2004	2,612,413	2,875,275	5,487,688	133,055	32,079	165,134	340,411	35,093	375,504
2005	2,791,646	2,738,463	5,530,109	138,512	26,622	165,134	127,352	22,476	149,828
2006	2,972,800	2,590,416	5,563,216	144,193	20,941	165,134	63,493	17,005	80,498
2007	3,155,108	2,433,763	5,588,871	150,107	15,027	165,134	43,812	13,979	57,791
2008	3,365,107	2,268,231	5,633,338	156,264	8,870	165,134	46,058	11,733	57,791
2009	3,572,798	2,090,508	5,663,306	121,170	2,680	123,850	48,419	9,372	57,791
2010	3,729,688	1,912,587	5,642,275				50,901	6,890	57,791
2011	3,915,848	1,735,032	5,650,880				53,510	4,281	57,791
2012	4,044,002	1,551,403	5,595,405				56,254	1,537	57,791
2013	4,218,999	1,361,354	5,580,353						
2014	4,417,466	1,159,095	5,576,561						
2015	4,421,314	951,798	5,373,112						
2016	2,660,541	783,336	3,443,877						
2017	2,795,161	648,080	3,443,241						
2018	2,947,478	502,516	3,449,994						
2019	3,104,029	346,623	3,450,652						
2020	2,453,312	203,044	2,656,356						
2021	1,675,000	97,915	1,772,915						
2022	1,125,000	28,125	1,153,125						
Total Debt	62,677,043	29,283,192	91,960,235	970,558	144,096	1,114,654	1,268,406	178,130	1,446,536

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations, Total for all Series			TWDB DFUNDII Loan		
	Principal	Interest	Total	Principal	Interest	Total
2003	55,668	148,995	204,663	8,000	107,905	115,905
2004	67,589	145,564	213,153	20,000	107,265	127,265
2005	78,354	141,545	219,899	30,000	106,093	136,093
2006	92,200	136,869	229,069	40,000	104,410	144,410
2007	109,894	131,356	241,250	50,000	102,203	152,203
2008	124,894	124,987	249,881	70,000	99,198	169,198
2009	142,204	117,777	259,981	90,000	95,113	185,113
2010	215,312	108,482	323,794	100,000	90,170	190,170
2011	224,153	97,221	321,374	110,000	84,603	194,603
2012	105,998	88,660	194,658	120,000	78,390	198,390
2013	131,002	82,459	213,461	130,000	71,545	201,545
2014	142,535	75,241	217,776	140,000	64,085	204,085
2015	163,688	67,056	230,744	150,000	56,000	206,000
2016	194,459	57,350	251,809	160,000	47,280	207,280
2017	209,839	46,340	256,179	170,000	37,915	207,915
2018	222,516	34,216	256,732	180,000	27,895	207,895
2019	230,972	21,130	252,102	190,000	17,210	207,210
2020	251,681	7,236	258,917	200,000	5,850	205,850
2021						
2022						
Total Debt	2,762,958	1,632,484	4,395,442	1,958,000	1,303,128	3,261,128



**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**Governmental Activities:**

Fiscal Year	Limited Tax Refunding Bonds, Series 1993			Combination Tax & Revenues, CO's Series 1994			Certificates of Obligations, Series 1996		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	905,000	356,695	1,261,695	285,000	349,889	634,889	70,000	21,170	91,170
2004	945,000	311,823	1,256,823	305,000	330,346	635,346	75,000	15,878	90,878
2005	995,000	263,795	1,258,795	320,000	309,643	629,643	85,000	10,038	95,038
2006	1,045,000	212,273	1,257,273	340,000	288,928	628,928	95,000	3,468	98,468
2007	1,105,000	156,895	1,261,895	350,000	269,406	619,406			
2008	1,165,000	97,293	1,262,293	370,000	250,056	620,056			
2009	1,230,000	33,210	1,263,210	390,000	229,388	619,388			
2010				740,000	198,313	938,313			
2011				785,000	156,375	941,375			
2012				830,000	113,519	943,519			
2013				875,000	69,828	944,828			
2014				925,000	23,703	948,703			
2015									
2016									
2017									
2018									
2019									
2020									
2021									
2022									
Total	7,390,000	1,431,984	8,821,984	6,515,000	2,589,393	9,104,393	325,000	50,553	375,553

Fiscal Year	General Obligation Refunding Bonds, Series 1998			Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	65,000	332,378	397,378	461,650	671,658	1,133,308	57,683	310,435	368,117
2004	70,000	329,643	399,643	493,966	642,990	1,136,955	88,447	306,942	395,389
2005	70,000	326,755	396,755	526,281	612,382	1,138,663	115,365	302,022	417,387
2006	75,000	323,728	398,728	553,980	579,974	1,133,954	153,820	295,417	449,237
2007	175,000	318,478	493,478	586,296	545,766	1,132,062	203,812	286,515	490,326
2008	185,000	310,918	495,918	613,995	509,757	1,123,752	246,112	275,267	521,379
2009	190,000	303,043	493,043	641,694	472,488	1,114,181	296,104	261,563	557,667
2010	905,000	280,048	1,185,048	674,009	436,788	1,110,797	530,679	240,480	771,159
2011	945,000	241,198	1,186,198	710,941	401,809	1,112,750	549,907	212,650	762,557
2012	985,000	200,421	1,185,421	747,873	364,422	1,112,295	146,129	194,480	340,609
2013	1,025,000	157,453	1,182,453	784,805	324,759	1,109,564	219,194	184,799	403,993
2014	1,065,000	111,985	1,176,985	826,354	282,663	1,109,016	246,112	172,407	418,519
2015	1,990,000	44,278	2,034,278	872,519	237,849	1,110,368	303,795	157,545	461,340
2016				923,300	190,260	1,113,560	392,241	138,382	530,623
2017				969,465	139,859	1,109,324	430,696	115,653	546,349
2018				1,024,863	86,255	1,111,118	457,615	90,081	547,695
2019				1,084,878	29,292	1,114,169	469,151	62,278	531,429
2020							838,319	24,102	862,421
2021									
2022									
Total	7,745,000	3,280,321	11,025,321	12,496,866	6,528,970	19,025,836	5,745,177	3,631,019	9,376,196

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

Fiscal Year	Certificates of Obligations, Series 2001			Limited Tax Improvement Bonds, Series 2002			Certificates of Obligations, Series 2002		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	80,000	335,815	415,815	390,000	459,525	849,525	385,000	168,063	553,063
2004	90,000	329,865	419,865	400,000	447,675	847,675	145,000	160,113	305,113
2005	115,000	322,690	437,690	415,000	435,450	850,450	150,000	155,688	305,688
2006	130,000	314,115	444,115	425,000	421,788	846,788	155,000	150,725	305,725
2007	135,000	304,840	439,840	440,000	406,650	846,650	160,000	145,213	305,213
2008	160,000	294,515	454,515	460,000	390,900	850,900	165,000	139,525	304,525
2009	180,000	282,615	462,615	475,000	374,538	849,538	170,000	133,663	303,663
2010	215,000	272,015	487,015	490,000	357,405	847,405	175,000	127,538	302,538
2011	230,000	263,058	493,058	510,000	339,023	849,023	185,000	120,919	305,919
2012	615,000	245,331	860,331	530,000	319,390	849,390	190,000	113,840	303,840
2013	570,000	219,865	789,865	550,000	298,320	848,320	195,000	106,330	301,330
2014	575,000	194,674	769,674	575,000	275,461	850,461	205,000	98,202	303,202
2015	440,000	171,870	611,870	600,000	250,851	850,851	215,000	89,405	304,405
2016	495,000	150,351	645,351	625,000	224,429	849,429	225,000	79,914	304,914
2017	510,000	126,730	636,730	650,000	196,133	846,133	235,000	69,705	304,705
2018	535,000	101,644	636,644	685,000	165,753	850,753	245,000	58,783	303,783
2019	580,000	74,460	654,460	715,000	133,374	848,374	255,000	47,219	302,219
2020	595,000	45,375	640,375	750,000	98,750	848,750	270,000	34,810	304,810
2021	610,000	15,250	625,250	785,000	61,125	846,125	280,000	21,540	301,540
2022				830,000	20,750	850,750	295,000	7,375	302,375
Total	6,860,000	4,065,078	10,925,078	11,300,000	5,677,290	16,977,290	4,300,000	2,028,570	6,328,570

Fiscal Year	LoanSTAR Loan		
	Principal	Interest	Total
2003	127,257	37,877	165,134
2004	133,055	32,079	165,134
2005	138,512	26,622	165,134
2006	144,193	20,941	165,134
2007	150,107	15,027	165,134
2008	156,264	8,870	165,134
2009	121,170	2,680	123,850
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
Total	970,558	144,096	1,114,654

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000			TWDB DFUNDII Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	38,350	55,796	94,146	17,318	93,199	110,517	8,000	107,905	115,905
2004	41,035	53,414	94,449	26,554	92,150	118,704	20,000	107,265	127,265
2005	43,719	50,872	94,591	34,635	90,673	125,308	30,000	106,093	136,093
2006	46,020	48,179	94,199	46,180	88,690	134,870	40,000	104,410	144,410
2007	48,705	45,338	94,042	61,189	86,018	147,206	50,000	102,203	152,203
2008	51,006	42,346	93,352	73,888	82,641	156,529	70,000	99,198	169,198
2009	53,307	39,250	92,557	88,897	78,527	167,423	90,000	95,113	185,113
2010	55,991	36,285	92,276	159,321	72,197	231,518	100,000	90,170	190,170
2011	59,059	33,379	92,438	165,094	63,842	228,936	110,000	84,603	194,603
2012	62,127	30,273	92,400	43,871	58,387	102,258	120,000	78,390	198,390
2013	65,195	26,978	92,173	65,807	55,481	121,287	130,000	71,545	201,545
2014	68,647	23,481	92,128	73,888	51,760	125,648	140,000	64,085	204,085
2015	72,482	19,758	92,240	91,206	47,298	138,504	150,000	56,000	206,000
2016	76,700	15,805	92,505	117,759	41,545	159,304	160,000	47,280	207,280
2017	80,535	11,618	92,153	129,304	34,722	164,026	170,000	37,915	207,915
2018	85,137	7,165	92,302	137,386	27,044	164,430	180,000	27,895	207,895
2019	90,123	2,433	92,556	140,849	18,697	159,546	190,000	17,210	207,210
2020				251,681	7,236	258,917	200,000	5,850	205,850
2021									
2022									
Total	1,038,135	542,372	1,580,506	1,724,823	1,090,108	2,814,931	1,958,000	1,303,128	3,261,128

Total Net Present Value of the governmental fund's capital lease obligations is \$ 1,724,553.  
Available in debt service is \$ 278,626 for general long-term debt.

## H. REFUNDING

During 2002, the County advance refunded its Limited Tax Refunding Bonds, Series 1993 with Limited Tax Refunding Bonds. The County issued \$ 6,275,000 of Limited Tax Refunding Bonds, Series 2002 and placed the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments of the refunded debt. As of results, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$ 280,228 and to obtain an economic gain of \$264,041.

During 2003, the County advance refunded its Combination of Tax and Revenues Certificates of Obligations Bonds, Series 1994 with Limited Tax Refunding Bonds. The County issued \$ 6,335,000 of Limited Tax Refunding Bonds, Series 2003 and placed the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments of the refunded debt. As of results, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce total debt service payments over the next eleven years by \$ 277,423 and to obtain an economic gain of \$ 254,542.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**I. BONDS DEFEASED - PRIOR YEARS DEFEASANCE OF DEBT**

During 1998 the County defeased \$ 7,030,000 of its Certificate of Obligations, Series 1996 maturing in the years 2007 through 2015 bonds series and issued \$8,020,000 General Obligation Refunding Bonds, Series 1998 by also placing the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments on the refunded bonds.

As of September 30, 2003, the \$ 7,030,000 outstanding bonds, series 1996 are considered defeased. The next schedule bond payment is in 2007 for \$ 100,000.

During 1993, the County defeased \$ 595,000 of its Certificates of Obligation, Series 1987 maturing in the years 1997 through 1999 and \$ 9,280,000 of its Limited Tax Bonds, Series 1989A maturing in the years 2000 through 2009 bonds and issued \$ 11,280,000 Limited Tax Refunding Bond, Series 1993 by placing the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments on the refunded bonds. Series 1987 was payoff as of September 30, 1999.

As of September 30, 2003, the \$ 8,625,000 outstanding bonds, series 1989A are considered defeased. The next schedule bond payment is in 2009 for \$ 8,625,000.

As a result, the refund bonds are considered to be defeased and the liability for those bonds has been removed from the County's general long-term debt.

**J. SUBSEQUENT BOND ISSUANCE**

On October 9, 2003, the County issued \$ 10,000,000 Certificates of Obligation, Series 2003 to finance the design, planning, acquisition, and construction of various projects. The interest rate on the bonds range from 2.500 – 5.125 percent and the maturity date is February 15.2023.

**K. CONDUIT DEBT**

**Certificates of Participation, Series 1997**

The PBCF Webb Texas, Inc. (Lessor) is a Texas Corporation organized and existing under the laws of the State of Texas. The lessor by proper corporate action duly authorized the execution and delivery of and the due performance of lease purchase agreement with Webb County, Texas ("Lessee").

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

The sale of July 15, 1997 \$1,530,000 Certificates of Participation, Series 1997 (the "1997 Certificates") evidencing interests of the owners thereof in certain obligations of Webb County, Texas due under its lease purchase agreement with PBCF Webb Texas, Inc. The 1997 Certificates represent proportionate interests in the basis rent payable by Webb County, Texas.

The project consists of approximately .95-acre tract, and approximately 15,000 square feet Restitution/Court Residential Treatment facility, including sleeping quarters, laundry facilities,

dining facilities, a kitchen, educational classrooms space, administrative space, parking areas and recreational areas.

The outstanding balance of the 1997 Certificates is \$ 1,420,000 as of September 30, 2003.

Neither the lease, the County's obligation to pay basic rent nor the 1997 certificates are general obligations of the County. The County's obligation to make basic rent payments and any other obligation of the County under the lease are subject to and dependent upon yearly appropriations being made by the County for such purpose. However, the County is not legally required to appropriate or otherwise provide monies for this purpose.

The Webb County Court Residential Treatment Center program was not funded by the State of Texas beyond August 31, 2003. This program was being housed in the facilities described above, and its funding included an amount that was used by the County to make rent payments to the PBCF, which in turn used the funds to make the debt payments on the Certificates of Participation, Series 1997 described above. Upon termination of State funding, the Court Residential Treatment Center ceased to operate. Consequently, the County authorized appropriations in its 2003-2004 annual budget to provide for the rent payments for that fiscal year.

**Certificates of Participation, Series 1997A (Sale During Fiscal Year and Defeasance Date of Record December 28, 1998)**

The Webb County Correctional Center Public Facility Corporation is a newly-formed nonprofit corporation created by the County in accordance with Article 717s, Vernon's Texas Civil Statutes, as amended ("Article 717s") for the purpose of assisting the County with the financing, refinancing, or providing for public facilities for the County.

The Webb County Correctional Center Public Facility Corporation has the broadest possible powers to finance the acquisition of county obligations issued or incurred in accordance with the existing law, and to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities of the County under Article 717s. All powers of the Corporation are vested in a Board of Directors, each of who is a member of the Commissioners Court.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

The sale of the October 1, 1997 \$ 22,470,000 Certificates of Participation Series 1997A (the "1997A Certificates"), evidencing proportionate interests of the owners thereof in a Lease Agreement with option to purchase with Webb County, Texas as Lessee. The Lessor will transfer its rights and interest in, and duties and obligations regarding the project including the title to the real property portion of the project to the Corporation, subject to the mortgage and assignments made to the Trustee for the benefit of the Certificate owners. The outstanding balance of the 1997A Certificates is \$ 20,770,000 as of September 30, 2003.

The new Webb County Correctional Center consists of 98,000 square feet which will include a 500-bed multi-classification detention center with all necessary ancillary spaces, including education building, guard towers, segregated recreation yard, kitchen, program space medical facilities, wastewater treatment plant and associated utilities. There will be 150 single cells, 96 double cells, 19 eight-bed dormitories and 1 six-bed dormitory.

On December 29, 1998 a closing memorandum by bond counsel and the revised purchase structure for request for Repurchase Agreement and Defeasance Escrow CCA PRT broker, the County entered into an incarceration agreement with CCA PRT. This transaction provides for the defeasance of the Webb County Correctional Public Facility Corporation \$ 22,470,000 1997A Certificates. The Verification Agent of record provided a Defeasance Verification Report for the mathematical accuracy on the transaction. The transfer of ownership will occur in October 1, 2007 to CCA PRT, the purchaser. In the meantime, the County will have entered into a sublease agreement with CCA PRT providing incarceration agreements for County inmates.

**L. SEGMENT INFORMATION - ENTERPRISE FUND**

The County maintains at the end of the fiscal year an enterprise fund. The Webb County Water Utility started its operations on August 1, 1994 and is located in the community of Rio Bravo, Texas. The plant was purchased from Rio Bravo Water Company, Inc. with grant funds. The State of Texas authorized the County to administer this water utility operation.

**CONDENSED STATEMENT OF NET ASSETS**

**ASSETS**

Current assets	\$ 2,270,633
Due from other funds	1,856,078
Capital Assets	<u>3,123,693</u>
Total assets	<u><u>7,250,404</u></u>

**LIABILITIES**

Current Liabilities	290,143
Due to other funds	2,076,976
Non-current liabilities	<u>4,569,700</u>
Total liabilities	<u><u>6,936,819</u></u>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**NET ASSETS**

Invested in capital assets, net of related debt	362,622
Unrestricted	<u>(49,038)</u>
Total net assets	313,584
The assets and liabilities of certain internal services funds are included in the fund financial statements, but are included in the Business Activities of Net Assets	
	<u>29,516</u>
Total net assets per Government-Wide financial statements	<u><u>\$ 343,100</u></u>

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**REVENUES**

Charges for services	\$ 1,113,618
Depreciation expense	(80,737)
<b>Other operating expenses</b>	<u>(918,496)</u>
Operating income (loss)	114,385

**NON-OPERATING REVENUES (EXPENSES)**

Interest and investment revenue	24,994
Interest expense	<u>(256,766)</u>
Income (loss) before contributions and transfers	(117,387)
Capital contributions	-
Transfers in	149,332
Transfers out	<u>(116,470)</u>
Change in net assets	(84,525)
Total net assets - beginning, restated	<u>398,109</u>
Total net assets - ending	\$ 313,584

The assets and liabilities of certain internal services funds are included in the fund financial statements, but are included in the Business Activities of Net Assets

	<u>29,516</u>
Total net assets per Government-Wide financial statements	<u><u>\$ 343,100</u></u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided (used) by:	
Operating activities	\$ (1,346,120)
Noncapital financing activities	32,862
Capital and related financing activities	(489,564)
Investing activities	<u>24,994</u>
Net increase (decrease)	(1,777,828)
Beginning cash and cash equivalents	<u>3,708,314</u>
Ending cash and cash equivalents	<u><u>\$ 1,930,486</u></u>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**IV. OTHER INFORMATION**

**A. PROPERTY TAXES**

Property subject to taxation is real property and certain personal property situated in the County. The County's property tax is levied and becomes collectible on October 1, based on values assessed by the Webb County Appraisal District as of the preceding January 1, which is the date a tax lien is attached to the property.

Such taxes become delinquent on February 1 after the levy date. Discounts of 3%, 2%, and 1% are offered on payments of current taxes made by the last day of October, November and December, respectively.

Interest and penalties of 7% plus 2% a month are added for payments received in February, March, April, May, and June. The assessed valuation of taxable property for year 2002 was \$ 7,301,151,991 representing 100% of appraised value.

The County grants exemptions authorized by state law for disabled veterans, and homestead productivity of open space land. Therefore, the taxable values to which the tax rates are applied are less than the 100% valuation. The taxable values for year 2002, and designation of tax rates are as follows for fiscal 2003:

	<u>Taxable Value</u>	<u>Tax Rate Per \$100 of Taxable Value</u>
General Fund:	\$ 7,301,151,991	0.370948
Special Revenue Fund: Road and Bridge Maintenance	\$ 7,232,950,727	0.003567
Debt Service Fund:	\$ 7,301,151,991	0.083408
<b>Total Tax Rate</b>		<b>0.457923</b>

Taxes receivable are reduced by an allowance for estimated uncollectible taxes. Revenues from property taxes are recognized in the current year to the extent they are available to finance current year expenditures.

The County is permitted to levy taxes up to \$.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt and an additional \$.15 per \$100 of assessed valuation for maintenance of public roads and bridges.



**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

The County thus has legal margins of \$.355544 and \$.136533 respectively, per \$100 valuation and could levy approximately \$ 24,767,878 and \$ 10,106,082 in additional taxes for those purposes before that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by more than 3% without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election when the increase in the effective tax rate is 8% or more of the previous year's effective tax rate.

Because of limitations imposed by state law, cases in which accumulated taxes exceed property value and other problems in tax collection, allowances have been provided for uncollectible accounts.

**B. DEBT LIMIT**

The County is subject to certain statutes of the Texas Constitution that limit the amount of net bonded debt (exclusive of revenue bonds). The County may have outstanding up to 25 percent of the assessed value of real property.

At September 30, 2003, the statutory limit of the County was approximately \$ 1,888,062,974 providing a legal debt margin of \$ 1,827,933,257.

**C. COMPENSATED ABSENCES**

Accumulated compensatory leave, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental funds. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the governmental activities column of the government-wide Statement of Activities. The majority of these have typically been liquidated from the General Fund in previous years. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and the business-type column of the government-wide Statement of Activities as the benefit accrues for the employee.

Employees accrue 12 days of sick leave per year. Sick leave taken is recognized as expenditures as used by employees. There is no ceiling for the employees to accumulate sick leave. Upon separation or termination, unused sick leave is not paid. Employees with more than one year of service accrue from twelve to twenty-one days' vacation per year, depending on years of service.

Non-exempt employees earn compensatory time at one and one-half times their full rate of pay times the excess of 40 hours per week worked. The compensatory time balance for non-exempt employees may not exceed 240 hours. Hours in excess of the 240-hour maximum must be paid to the non-exempt employee at the rate of one and one-half times the regular rate. Upon termination, non-exempt employees will be paid for compensatory time at their wage rate at time of termination.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

	Balance Outstanding October 1, 2002	Earned	Taken/ Paid	Balance Outstanding September 30, 2003	Amount Due Within One Year
Governmental Activities	1,712,316	2,002,612	1,772,750	1,942,178	1,442,473
Business-type Activities	29,977	34,304	26,716	37,565	14,164
Total	<u>1,742,293</u>	<u>2,036,916</u>	<u>1,799,466</u>	<u>1,979,743</u>	<u>1,456,637</u>

## **D. RETIREMENT PLAN**

### **1. Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 535 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employees' accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**2. Funding Policy**

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 5.75% for the months of the accounting year in 2002, and 7.42% for the months of the accounting year in 2003.

The contribution rate payable by the employee members for calendar year 2003 is the rate of 6% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**3. Annual Pension Cost**

For the 2003 fiscal year, the County's annual pension cost was equal to the County's required contributions. The employers are required to contribute at an actuarially determined rate; the current required contribution is \$ 2,827,957.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the Governmental Accounting Standards Board Statement Number 27 "Accounting for Pension by State and Local Governmental Employers" parameters based on the actuarial valuations as of December 31, 2000 and December 31, 2001, the basis for determining the contribution rates for calendar years 2001 and 2002. The December 31, 2002 actuarial valuation is the most recent valuation.

**4. Transition Disclosure**

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at transition to that statement effective at the beginning of the accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid.

There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**E. DEFERRED COMPENSATION**

In accordance with Internal Revenue Code (IRC) Section 457, the County offers all employees a deferred compensation plan. Under this plan, employees are permitted to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Public Employees Benefit Services Corporation (PEBSO) administers the plan.

During the fiscal year ended September 30, 1998, the County exercised its option and transferred the assets of the deferred compensation plan created under Internal Revenue Code Section 457 to a trust held for the exclusive benefit of the participating employees and not accessible by the County or its creditors. For this reason and as required by Government Accounting Standard Board (GASB) Statement number 32, "Deferred Compensation Plans Under Internal Revenue Code Section 457", the County is not including the activity related to the deferred compensation plan in its financial statements.

The implementation of GASB Statement 32 did not have an effect on the financial statements of the County, which would require an adjustment to the equity section of the County in order to comply with Generally Accepted Accounting Principles.

**F. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The County established a department within the General Fund to account for property / casualty and liability insurance premium reserves and uninsured risks of loss up to \$50,000 per occurrence. In 1992, a Workers' Compensation Fund was created to finance worker's compensation claims for uninsured losses up to \$100,000 per employee claim, this enabled the County to account for and record losses and maintain reserves for on-the-job employee injuries.

In addition, the County continues to maintain an Employees' Health Benefits Fund for uninsured risk of loss for health insurance coverage for employees up to \$50,000 per employee per year. The Court set the rates for the County's funding plan levels, contributions and employees deductions. All funds with personnel cost participate in both the employees' health benefits and workers' compensation funds.

There was no significant reduction in insurance coverage from coverage in the prior year by category. The County purchases commercial insurance for claims in excess of coverage provided by each Fund and for all other risks of loss. Settled claims resulting from general liability exposure have not exceeded this commercial coverage in any of the past ten fiscal years. As of September 30, 2003, the claims liability of \$ 413,422 and \$ 31,806 are reported in the internal service funds. Changes in the respective funds claims liability amount for 1993 through 2003 fiscal years were:

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

Webb County Employees' Health Benefits Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1993	136,087	2,177,776	(1,998,112)	315,751
1994	315,751	1,537,976	(1,682,784)	170,943
1995	170,943	2,223,483	(1,825,237)	569,189
1996	569,189	1,652,880	(1,912,643)	309,426
1997	309,426	3,612,896	(3,575,115)	347,207
1998	347,207	3,693,971	(3,643,327)	397,851
1999	397,851	3,645,681	(3,712,874)	330,658
2000	330,658	4,073,510	(4,042,243)	361,925
2001	361,925	3,903,435	(3,914,680)	350,680
2002	350,680	3,986,143	(3,815,008)	521,815
2003	521,815	4,972,824	(5,081,217)	413,422

Webb County Workers' Compensation Reserve Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1993	31,755	578,383	(465,781)	144,357
1994	144,357	405,395	(448,694)	101,058
1995	101,058	288,955	(307,402)	82,611
1996	82,611	721,747	(291,099)	513,259
1997	513,259	488,936	(488,936)	418,496
1998	418,496	208,678	(138,360)	488,814
1999	488,814	(268,981)	(202,854)	16,979
2000	16,979	612,703	(573,828)	55,854
2001	55,854	750,234	(737,226)	68,862
2002	68,962	646,695	(601,534)	114,023
2003	114,023	234,081	(316,298)	31,806

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

The Long-term risk liability is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which require that a liability be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Changes in the respective funds reserve amount in the fiscal year were as follows:

Webb County Employees' Health Benefits Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1997	- 0 -	510,540	- 0 -	510,540
1998	510,540	82,870	- 0 -	593,410
1999	593,410	22,282	- 0 -	615,692
2000	615,692	- 0 -	- 0 -	615,692
2001	615,692	- 0 -	- 0 -	615,692
2002	615,692	- 0 -	- 0 -	615,692
2003	615,692	- 0 -	- 0 -	615,692

Webb County Workers' Compensation Reserve Fund

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1997	- 0 -	183,176	- 0 -	183,176
1998	183,176	(25,677)	- 0 -	157,499
1999	157,499	59,661	- 0 -	217,160
2000	217,160	254,049	- 0 -	417,209
2001	417,209	258,272	- 0 -	729,481
2002	729,481	15,409	- 0 -	744,890
2003	744,890	(158,358)	- 0 -	586,532

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

In addition to the mentioned claims and judgments liabilities, if the County would cancel its health insurance policy it would be liable an estimated \$ 1,453,804. This amount includes \$104,193 in administration fees and \$ 1,349,611 in runoff medical, prescriptions and dental claims. This event is not considered probable; and therefore, is not accrued in the Employee's Health Benefit Internal Service Fund.

**G. COMMITMENTS AND CONTINGENCIES**

The County has several purchase commitments outstanding at September 30, 2003. These commitments are as follows:

General Fund	\$	421,028
Special Revenue Funds		496,983
Capital Projects Funds		<u>293,561</u>
<b>Total</b>	<b>\$</b>	<b>1,211,572</b>

The County is subject to various litigation and claims (some of which are for substantial amounts) arising out of the course of its operations. The County Attorney and independent counsel assisting with several cases have reviewed the cases to arrive at estimates of the range of potential loss, if any, to the County. Loss contingencies considered probable were immaterial and required no accrual.

The County is the recipient of federal and state financial assistance and is subject to various laws and regulations governing the use of this funding. If the grantor agencies determine such programs were not operated in accordance with the related laws and regulations the County could be required to refund assistance received for such ineligible expenditures. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

While the results of lawsuits or other proceedings cannot be predicted with certainty, the administration does not believe these matters will have a material adverse effect on the County's financial position.

An estimated liability for arbitrage rebate for the certificate of obligation, series 1999 was included in short-term claims and judgments for \$ 46,786.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**H. GENERAL FUND - FEDERAL / STATE REVENUE SOURCE**

<u>Program or Source</u>	<u>CFDA Contract Number</u>	<u>Total Grant or Entitlement</u>
Texas Natural Resource Conservation Commission Passed Through South Texas Development Council Regional Solid Waste Management Implementation Program	02-19-G03	35,100
Texas Department of Protective and Regulatory Title IV-E Title IV County Legal Services To Foster Care Children Title IV Child Welfare Services Contract	2003113071	65,000
Texas Department of Protective and Regulatory Title IV Child Welfare Services Contract	2003113070	25,000

**Texas Natural Resource Conservation Commission**

The purpose of this grant is to enable South Texas Development Council (STDC) to carry out or conduct various municipal solid waste management related services and to support activities within STDC regional jurisdiction. The grant revenue earned through the fiscal year was \$ 27,631.

**Texas Department of Protective and Regulatory Services Title IV-E County Legal Services to Foster Care for Children**

The purpose of this grant is to provide fair, adequate, and expeditious judicial determinations regarding children eligible for services under subtitle IV-E of the Social Security Act, including the training of county staff in areas necessary for the administration of this portion of the state IV-E plan. The grant revenue earned through the fiscal year was \$ 65,166.

**Title IV Child Welfare Service Contract**

The purpose of this grant is to provide financial assistance for foster care maintenance payments, administrative, and training expenses related to foster care and adoption. The grant revenue earned through the fiscal year was \$ 3,124.



**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2003**

**I. OTHER POST RETIREMENT HEALTH CARE BENEFITS**

In addition to pension benefits described in Note K, the County, as required by the Consolidated Omnibus Budget Reconciliation Act (C.O.B.R.A.), provides the option of post-employment health care coverage to all retired and terminated employees less than sixty-five years old with 100% of the premium paid by the employee.

There is no liability to the County associated with post-employment benefits provided unless the County fails to notify the eligible employee of said benefit by mail. Retired and/or terminated employees more than sixty-five years old are eligible for Medicare and do not qualify for benefits under C.O.B.R.A. The premiums collected and paid from ex-employees are accounted for through the Employees Health Benefit Fund.

The County established in January 2003 an Employees Retirees Insurance Fund for health insurance and funded the first year from an internal fund transfer. Employees who meet one of the following are eligible to participate in the retirement health insurance program:

1. Must not have already retired from the County nor have already been enrolled or received benefits under this plan.
2. Must have four years of continuous employment with the County prior to retirement; and
3. Must be covered as an active employee under the County health insurance plan at the time of retirement; and
4. The employee must meet one of the following additional criteria:
  - a. Age 59 plus 8 years of County employment, or
  - b. Obtain rule of 75, based on government employment with the State of Texas, a Texas County, or a Texas City of which a minimum of six years of employment must be with the County,
  - c. Twenty years of employment with The County.

Cost to retirees younger than 59 years of age up to the age of 64 is \$100 per-month and cost for dependent coverage is \$200. The retiree's cost at age 65 (silver choice) is 100% less \$ 100 county contribution and 100% cost of coverage. As of September 30, 2003 there are 8 in the group and 5 in the silver choice plan.



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